

Message Text

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ACTION ARA-14

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STATE-AID MESSAGE

E.O. 11652: NA
TAGS: EAID, JM
SUBJECT: DEVELOPMENT COOPERATION STRATEGY FOR MIDDLE INCOME
COUNTRIES

REF: STATE 135009

1. WE WARMLY WELCOME THE DECISION TO CONSIDER A POSSIBLE
U.S. GOVERNMENT-WIDE STRATEGY OF ECONOMIC COOPERATION WITH
"MIDDLE INCOME" COUNTRIES. BECAUSE MOST OF THESE COUNTRIES
SHARE THE MAJOR PROBLEMS OF LDC'S IN GENERAL, BECAUSE THEY
INCLUDE LEADERS OF THE DEVELOPING WORLD AND ARE IMPORTANT
PARTICIPANTS, POSSIBLY BRIDGES, IN THE NORTH-SOUTH DIALOGUE,
BECAUSE THEY REPRESENT MAJOR U.S. TRADE AND INVESTMENT
PARTNERS AMONG THE LDC'S AND, BECAUSE, THE OUTCOME OF THEIR
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DEVELOPMENT STRUGGLES WILL STRONGLY INFLUENCE THE POLITICAL
CONTEXT IN WHICH WE WILL MOVE, WE ENDORSE THE VIEW THAT THE
USG SHOULD DEVELOP A POSITIVE POLICY TOWARDS THESE COUNTRIES.

2. ALTHOUGH THE SO-CALLED MIDDLE INCOME COUNTRIES MAY
HAVE SOME COMMON DEVELOPMENT CHARACTERISTICS, SUGGESTING
THE POSSIBILITY OF A GENERAL STRATEGY RELEVANT TO THEM, WE

JOIN WITH THOSE WHO WOULD EMPHASIZE THE COUNTRY SPECIFIC NATURE OF THEIR DEVELOPMENT PROBLEMS.

3. JAMAICA IS A CASE IN POINT. ITS POLITICAL TRADITIONS AND PRACTICES AND ITS EQUITY-ORIENTED SOCIAL GOALS REPRESENT A UNIQUE COMBINATION. A LIVE DEMOCRACY, INDEPENDENT JUDICIARY, FREE ELECTIONS, PARLIAMENTARY SYSTEM, FREE PRESS AND WITH A DECENT RESPECT FOR HUMAN RIGHTS, IT IS STRUGGLING TO COPE WITH GRAVE ECONOMIC PROBLEMS. IT IS ONE OF THE FEW NATIONS IN THE DEVELOPING WORLD WHICH IS TESTING THE CAPACITY OF A DEMOCRATIC SOCIETY TO OVERCOME CENTURIES -OLD STRUCTURAL PROBLEMS AS WELL AS DIFFICULTIES ARISING FROM RELATIVELY RECENT RAPID AND MAJOR ALTERATIONS WITHIN THE INTERNATIONAL ECONOMIC SCENE. EVEN IF THERE WERE NO GENERAL "MIDDLE-INCOME" COUNTRY STRATEGY, THESE CONSIDERATIONS SUGGEST THE IMPORTANCE TO THE U.S. OF ASSOCIATING ITSELF CONSTRUCTIVELY WITH JAMAICANS EFFORTS TO DEVELOP AND GROW.

4. THERE IS NO DOUBT THAT JAMAICA'S OWN RESOURCES ARE INSUFFICIENT, AT LEAST FOR THE NEXT SEVERAL YEARS, TO DEAL SUCCESSFULLY WITH ITS PROBLEMS AND MOVE ON TO A SOLID GROWTH AND DEVELOPMENT COURSE. EXTERNAL ASSISTANCE (PUBLIC AND PRIVATE CAPITAL TRANSFERS, TECHNICAL ASSISTANCE, TRADE ADJUSTMENTS) IS NEEDED. AND, FORTUNATELY, THE KIND AND LEVEL OF PUBLIC AND PRIVATE ASSISTANCE WHICH THE U.S. AND OTHERS COULD MAKE AVAILABLE LIMITED OFFICIAL USE

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WOULD MAKE A SIGNIFICANT DIFFERENCE IN WHETHER OR NOT JAMAICA IS SUCCESSFUL. OUR ABS SUBMISSION ALONG WITH MANY PAST MESSAGES, PROJECT PAPERS AND OTHER DOCUMENTS, SETS FORTH JAMAICA'S MOST CRITICAL DEVELOPMENT NEEDS AND CONSTRAINTS: REVITALIZATION OF THE AGRICULTURAL SECTOR; DIVERSIFICATION OF EXPORTS; REVIVAL OF THE PRIVATE SECTOR; CREATION OF AN EFFECTIVE SYSTEM OF PUBLIC ADMINISTRATION; EXPLORATION OF NON-TRADITIONAL SOURCES OF ENERGY. THESE ARE SOME OF THE MAJOR AREAS WHICH, IF EFFECTIVELY ADDRESSED, WOULD BRING ON AN INCREASE IN PRODUCTIVITY, A REDUCTION IN UNEMPLOYMENT AND A REVERSAL IN THE FIVE YEAR DOWNTURN IN ECONOMIC ACTIVITY. JAMAICA'S EQUITY TARGETS WOULD ALSO BE MORE FEASIBLE OF ACHIEVEMENT.

4. JAMAICA'S BALANCE OF PAYMENTS CRISIS IS ITS MOST IMMEDIATE PROBLEM. IT REFLECTS UNDERLYING DEVELOPMENT DEFECTS AND IT CREATES MAJOR CONSTRAINTS IN DEALING WITH THEM. IT HIGHLIGHTS THE NEED FOR THE INTERNATIONAL DONOR COMMUNITY TO DEVELOP ASSISTANCE INSTRUMENTS WHICH RESPOND DIRECTLY TO THE NEED TO TRANSFER RESOURCES WHICH CAN BE PROMPTLY USED FOR IMPORTS. IT CALLS ON DONORS TO DEVISE IMAGINATIVE MECHANISMS WHICH, WHILE ADDRESSED

TO SECTORAL OR PROJECT OBJECTIVES, PROVIDE FOR IMMEDIATE
AND NEAR TERM BALANCE OF PAYMENTS HELP.

5. JAMAICA'S SITUATION ALSO UNDERLINES A NEW APPRECIATION,
NAMELY THAT WITHOUT ADEQUATE GROWTH, SATISFACTORY IMPROVEMENTS
IN DISTRIBUTION ARE NOT LIKELY TO BE ACHIEVED. THE
USG AND OTHERS, THEREFORE, NEED TO DEVELOP ASSISTANCE
INSTRUMENTS WHICH, BY ABETTING GROWTH, FACILITATE SOCIAL
OBJECTIVES ALONG THE LINES OF A.I.D.'S CONGRESSIONAL MANDATE.
WE BELIEVE THAT THE POINTS MADE IN PARAGRAPHS 4 AND 5 ARE
APPLICABLE IN MANY OTHER DEVELOPING COUNTRIES, MIDDLE INCOME
AND OTHERS. FORTUNATELY, JAMAICA'S MODEST SIZE MEANS THAT
THE U.S. AND OTHER DONORS SHOULD BE ABLE, IN SUPPORT OF SENSIBLE
SELF-HELP EFFORTS, TO BRING TO BEAR A SUFFICIENT MAGNITUDE OF
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EXTERNAL ASSISTANCE TO HAVE A REAL IMPACT ON MACRO-ECONOMIC
OBJECTIVES, AND IN CONSEQUENCE, ON OUR EQUITY TARGETS.

6. WE APPRECIATE THIS OPPORTUNITY TO COMMENT AND LOOK
FORWARD TO CONTINUED PARTICIPATION IN THIS IMPORTANT EXERCISE.
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